



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

BRIEFING: November Board Meeting Agenda Item #2

TO: Chairman Pringle and Authority Board Members

FROM: Jeffrey M. Barker, Deputy Director

DATE: October 30, 2009

RE: Business Plan Update

Per the language of the 2009-10 State Budget (AB 4x1 by Noreen Evans¹), the Authority is required to submit to the Legislature a revised Business Plan by December 15, 2009. Expenditure of one half (\$69.6 million) of the Authority's 2009-10 Budget Act appropriation is conditioned upon the submittal of the Business Plan and a 30-day review by the Joint Legislative Budget Committee (Legislative Analyst's Office)

The Authority has assembled to produce the document a team led by the Authority's Deputy Director for Communications, Policy and Public Outreach, its Program Director, and its financial consulting team.

That team began the process of developing the Business Plan by meeting with legislative staff to seek input and ideas. Through September and October, the team met with:

- Staff of both Senate and Assembly Transportation Committees
- Staff of both Senate and Assembly Budget/Fiscal Committees
- Staff to key interested legislators and legislative leadership
- The Legislative Analyst's Office
- The Governor's Office

Using input from those meetings, the team assembled a skeleton outline². That outline was circulated to the legislative staff and Governor's Office for further input and comments.

Concurrently, the team began to develop the materials for the Business Plan. This information includes an updated timeline and an updated financial plan (due in large part to the promise of American Recovery and Reinvestment Act funding and the requirements that will come with it), as well as an updated cost estimate for the project that will for the first time be expressed in year-of-expenditure dollars.

¹ See AB 4x1 excerpt attached

² See "Business Plan Skeleton" attached

The team will spend November continuing to develop those materials to assemble into a draft of the Business Plan. The Authority will then conduct further outreach, briefing our partners on the document and asking for their assistance in refining it for submission by the Dec. 15 deadline.

Attachments:

- ✓ Assembly Bill 4x1 language related to the High-Speed Rail Authority
- ✓ Business Plan draft outline

SEC. 148. Item 2665-004-6043 of Section 2.00 of the Budget Act of 2009 is amended to read:

2665-004-6043—For support of High-Speed Rail Authority, payable in accordance with and from the proceeds of the Safe, Reliable High-Speed Train Bond Act for the 21st Century, payable from the High-Speed Passenger Train Bond Fund..... 139,180,000

Provisions:

1. The High-Speed Rail Authority is required to post in the 2009–10 fiscal year and annually thereafter its budget on their Internet Web site in order to insure public access and transparency.
2. Of the funds appropriated in this item, \$139,180,000 is appropriated to the High-Speed Rail Authority for the following purposes: project-level design and environmental review, program management services, financial planning, and public-private partnership program.
3. Of the funds appropriated in this item, \$69,590,000 shall be available for expenditure only after January 1, 2010, after the submittal of a revised business plan to, and a 30-day review by, the Joint Legislative Budget Committee that, among other things, addresses, at a minimum: (a) a plan for a community outreach component to cities, towns, and neighborhoods affected by this project, (b) further system details, such as route selection and alternative alignment considerations, (c) a thorough discussion describing the steps being pursued to secure financing, (d) a working timeline with specific, achievable milestones, and (e) what strategies the authority would pursue to mitigate different risks and threats. The authority shall submit the revised business plan to the Joint Legislative Budget Committee no later than December 15, 2009.

The revised business plan shall also provide additional information related to funding, project development schedule, proposed levels of service, ridership, capacity, operational plans, cost, private investment strategies, staffing, and a history of expenditures and accomplishments to date. In developing this revised business plan, the authority shall work in consultation with the appropriate legislative policy committees and the Legislative Analyst's Office to respond to specific aspects in the plan.

4. Notwithstanding any other provision of law, funds appropriated in this item from the High-Speed Passen-

ger Train Bond Fund, to the extent permissible under federal law, may be reduced and replaced by an equivalent amount of federal funds determined by the High-Speed Rail Authority to be available and necessary to comply with Section 8.50 and the most effective management of state high-speed rail transportation resources. Not more than 30 days after replacing the state funds with federal funds, the Director of Finance shall notify in writing the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee of this action.

SEC. 149. Item 2670-001-0290 of Section 2.00 of the Budget Act of 2009 is amended to read:

2670-001-0290—For support of Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun, payable from the Board of Pilot Commissioners' Special Fund..... 3,136,000

Schedule:

(1) 10.01-Support..... 1,729,000

(2) 10.03-Training..... 1,407,000

Provisions:

1. The amount appropriated in this item may include revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code.

SEC. 150. Item 2720-001-0044 of Section 2.00 of the Budget Act of 2009 is amended to read:

2720-001-0044—For support of Department of the California Highway Patrol, payable from the Motor Vehicle Account, State Transportation Fund..... 1,791,293,000

Schedule:

(1) 10-Traffic Management..... 1,742,413,000

(2) 20-Regulation and Inspection..... 204,324,000

(3) 30-Vehicle Ownership Security..... 45,847,000

(4) 40.01-Administration..... 340,410,000

(5) 40.02-Distributed Administration..... -339,789,000

(6) Reimbursements..... -115,720,000

(7) Amount payable from the State Highway Account (Item 2720-001-0042).... -60,404,000

(8) Amount payable from the Motor Carriers Safety Improvement Fund (Item 2720-001-0293)..... -2,575,000

BUSINESS PLAN SKELETON

Introduction/Purpose

Executive Summary

History of Authority/Project

Project Description

The Way the Project is Organized

Authority

- Current staffing
- Future staffing Plans

Focus on contracting out for services

- Authority for doing so
- Advantages
- Risks

Program Management

Regional Sections

Staging (brief discussion, more later)

From Today to Phase 1 Service

The Environmental Process

Where we are in the Environmental Process

- Section-by-section

Discussion of the Alternative Alignments process

What's Next?

Plan for Outreach/Public Information

Staging

Staging

Discussion of milestones

ARRA Requirements

More discussion of utility between here and there

Ridership and Revenue

How did we get to the ridership figures we have today

- How did we use those figures
- Support for those figures

Where we'll get better/newer figures in the future

- How we'll use those

Cost of Project

How we came to this cost estimate

The variables in the cost estimate

- Time
- Alternative Routes
- Contingencies

Risks of increased project costs

Paying for the System

State (brief)

- **Proposition 1A**
- Where this comes from
- Why we've estimated this much
- The likelihood that this will change and why

Federal (brief)

- **ARRA**
- Where this comes from
- Why we've estimated this much
- The likelihood that this will change and why

Local (brief)

- Where this comes from
- Why we've estimated this much
- The likelihood that this will change and why

Private (brief)

- Where this comes from
- Why we've estimated this much
- The likelihood that this will change and why

State (more detail)

- Plan to leverage the state's dollars
- Will we have to ask the Legislature or voters for more money?

Federal (more detail)

- Strategy moving forward to win more federal funding

Local (more detail)

- Working with partner local governments, etc.

Private (more detail)

- Tools
- Strategies
- The Stairway
- The market
- The indications of interest we've already seen
- MOUs

Phase 2

Timeline

Where we are at in those processes

The Economy / Climate of the Moment

Need for project

Benefits

International examples

Competitive environment

Existing private interest

Risks and Mitigation

The way the project is organized,

- Risks of
- Mitigation

Staging

- Risks of
- Mitigation

Ridership and revenue

- Risks of

- Mitigation

Cost of project

- Risks of
- Mitigation

The economy / climate of the moment

- Risks of
- Mitigation

Political Risk

- Risks of
- Mitigation

Right-of-Way Acquisition

- Risks of
- Mitigation

Oversight

Legislation

- History
- Possible needed legislation

The Legislature

Program Management Oversight

Other Control Agency Oversight

Peer Review

Local Cooperative Agreements

Public Meetings

- Commitment to Transparency

Conclusion